

# How sustainable is your portfolio?

Increased investor focus on environmental, social and governance considerations

Environmental, social and governance (ESG) issues continue to be a priority for many investors. Your values define you. But do your investments reflect who you are?

Increasingly, investors are urging companies to build ESG considerations into their long-term strategy, bringing it up during engagements and using shareholder proposals to force companies to take action. Investing sustainably means putting your money to work on issues including adapting to and mitigating climate change, improving working conditions and diversity, and tackling inequality.

## POLICY OF ENGAGEMENT

Recent research has identified that nearly three quarters of women aged 40 and over would divest their pension from companies with poor pay practices, led by 74% of female 'Boomers'<sup>[1]</sup>. A majority of men of the same age group agree but younger women are split 50:50.

By contrast, many Millennials want to divest their pensions from the fossil fuels industry. Half (49%) of all age groups prefer a policy of engagement before divestment.

## GENERATIONAL DIFFERENCES

Revealing clear and generational differences, the findings highlight a strong contrast between the relative importance of ESG issues to older generations and the views of younger people, who are more focused on climate issues.

Millennials were more likely than any other generation to want to reduce their exposure to the fossil fuel industry, despite any potential consequences. Even if there was a resulting performance impact, 45% of Millennials would opt to divest their pension from fossil fuels. This compares to 30% of Generation X, while Baby Boomers (at just 23%) were half as likely as Millennials to divest from fossil fuels regardless of the investment outcome.

## INVESTMENT RETURNS

Including a further 41% of Millennials who would only divest from fossil fuels if it didn't

impact investment returns, a combined 86% of Millennials would choose to divest their workplace pension from fossil fuels if it would have no negative impact on their pension.

But several of Britain's top pension funds say they would have lost hundreds of millions of pounds had they sold out of oil and gas stocks in recent years, highlighting a potential cost to scheme members as funds face pressure to help fight global warming.

## WORKPLACE PENSIONS

Reuters contacted 47 of Britain's largest pension funds, with 33 saying they were not divesting from fossil fuels. Some highlighted the potential impact on returns and their preference to engage with oil and gas companies as reasons.

Across all age groups, nearly half of all adults (49%) would prefer a policy of engagement to encourage change before divesting. It is also notable that only half of respondents were already aware of the types of investments within their workplace pensions, implying many more may not be aware of possible inconsistencies between these investments and their own beliefs. ■

## INVESTMENTS WITH SOCIAL IMPACT

More and more, investors want to invest sustainably: they want to combine investing for a financial return with a positive contribution to the environment, society or both. Whether you're just curious about what options are available to you, or if you're strongly opposed to or for certain investment options, please contact us for further information.

### Source data:

[1] Research from Legal & General Investment Management (LGIM) conducted by Watermelon Research (fieldwork): 22–29 October 2019 consisting of 1,000 interviews (online) with UK adults between the ages of 25 and 65, who have a workplace pension and work in the private sector.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE. TAX TREATMENT IS BASED ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN THE FUTURE.

ALTHOUGH ENDEAVOURS HAVE BEEN MADE TO PROVIDE ACCURATE AND TIMELY INFORMATION, WE CANNOT GUARANTEE THAT SUCH INFORMATION IS ACCURATE AS OF THE DATE IT IS RECEIVED OR THAT IT WILL CONTINUE TO BE ACCURATE IN THE FUTURE. NO INDIVIDUAL OR COMPANY SHOULD ACT UPON SUCH INFORMATION WITHOUT RECEIVING APPROPRIATE PROFESSIONAL ADVICE AFTER A THOROUGH REVIEW OF THEIR PARTICULAR SITUATION. WE CANNOT ACCEPT RESPONSIBILITY FOR ANY LOSS AS A RESULT OF ACTS OR OMISSIONS.